

Regular Session, 2009

HOUSE BILL NO. 683

BY REPRESENTATIVES MONICA, BALDONE, BARRAS, BURRELL, CARTER,
HENRY, AND RICHARD AND SENATOR AMEDEE

MINERALS/RIGHTS-ROYALTY: Provides a royalty payment offset for ad valorem taxes
paid for deep oil and gas drilling and production

1 AN ACT

2 To enact R.S. 30:127.2, relative to incentives for deep oil and gas drilling; to provide an
3 offset set to royalty payments for deep oil and gas drilling in a proportionate amount
4 of ad valorem taxes paid; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 30:127.2 is hereby enacted to read as follows:

7 §127.2. Deep drilling and production; incentive

8 A. It is recognized as essential to the continued growth and development of
9 the mineral resources of the state of Louisiana and to the continued prosperity and
10 welfare of the people of the state that deeper drilling of oil and gas wells in this state
11 be encouraged. It is also recognized that drilling to fifteen thousand feet or more
12 below the surface is generally more costly and riskier than other drilling, which
13 discourages additional, deeper development because it is not economically feasible.
14 It is the purpose of this Section to provide an economic incentive to producers to
15 encourage the investment in new deep oil and gas drilling and production, thereby
16 enhancing the discovery and development of deeper reservoirs of oil and gas, to the
17 ultimate benefit of the state through new job creation and economic development.
18 B. In order to accomplish the purposes set forth in Subsection A of this
19 Section, the State Mineral Board shall enter into an agreement with the lessee under

1 any present and future mineral lease or leases on land, lakes, river beds, and other
2 water bottoms belonging to the state on which the state owns both the mineral
3 leasing rights and royalty rights and for which authority rests in the State Mineral
4 Board for mineral development, under which the lessee will receive a proportionate
5 credit on the amount of the royalty obligation under the applicable lease, for
6 payment, without protest, of all ad valorem taxes properly assessed on any deep oil
7 or gas well in the parish or parishes where the applicable lease is located for any year
8 in which the deep oil and gas well has produced in paying quantities from any strata.
9 The amount of ad valorem tax credit shall be proportionate to and determined by
10 taking the percentage of the mineral ownership of the production unit for the deep
11 oil or gas well that is under the applicable lease and multiplying the ad valorem tax
12 assessment on the deep oil or gas well by said percentage.

13 C. Any such agreement will provide a procedure for the lessee to submit to
14 the State Mineral Board proof of the mineral ownership of the production unit, the
15 depth of the initial production in paying quantities, and payment of such taxes prior
16 to such credit being taken by lessee in its obligation to pay royalty under the
17 applicable lease. Such agreement shall further provide that, in the event the
18 approved ad valorem tax credit exceeds the royalty obligation under any applicable
19 lease in any year, the excess ad valorem tax credit may be offset from the royalty
20 obligation under the applicable lease in any future years, whether or not the royalty
21 obligation is due to the deep oil or gas well, until fully offset, but that there shall be
22 no other credit, refund, or recourse to lessee.

23 D. For purposes of this Section, the following terms shall have the following
24 meanings:

25 (1) "Applicable lease" shall mean that portion of a mineral lease granted by
26 the State Mineral Board on land, lakes, river beds, and other water bottoms
27 belonging to the state on which the state owns the mineral leasing rights and royalty
28 rights that is included within the production unit for a deep oil or gas well drilled and
29 produced under the agreement described in Subsection B of this Section.

1 (2) "Deep oil or gas well" shall mean an oil or gas well which is permitted
2 by the office of conservation after July 1, 2009, and is drilled to and produced in
3 paying quantities from strata at or below a true vertical depth from surface of fifteen
4 thousand feet or more on a producing unit which includes an applicable lease from
5 the State Mineral Board.

6 E. This Section shall not apply to royalties due to be paid under the
7 applicable lease to the extent such royalties must be remitted to the governing
8 authority of the parish in which the severance of production occurs in accordance
9 with Article VII, Section 4(E) of the Louisiana Constitution of 1974 and
10 implemented under R.S. 30:145, 146, and 147.

11 F. Nothing in this Section shall in any way prohibit any taxpayer from the
12 payment of ad valorem taxes under protest or to otherwise resist the collection of
13 such ad valorem taxes.

14 Section 2. This Act shall become effective on July 1, 2009; if vetoed by the governor
15 and subsequently approved by the legislature, this Act shall become effective on July 1,
16 2009, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Monica

HB No. 683

Abstract: Provides for a royalty payment offset equal to a proportionate amount of ad valorem tax paid for deep oil and gas drilling and production.

Proposed law requires the State Mineral Board to enter into an agreement with the lessee of mineral leases on land, lakes, river beds, and other water bottoms belonging to the state under which the lessee will receive a proportionate credit on the amount of the royalty obligation under the applicable lease, for payment of all ad valorem taxes in the parish or parishes where the applicable lease is located. The amount of ad valorem tax credit is determined by taking the percentage of the mineral ownership of the production unit for the deep oil or gas well that is under the applicable lease and multiplying the ad valorem tax assessment on the deep oil or gas well by that percentage.

Requires the agreement to set a procedure for the lessee to submit to the State Mineral Board proof of the mineral ownership of the production unit, the depth of the initial production in paying quantities, and payment of such taxes prior to such credit being taken by lessee in its obligation to pay royalty under the applicable lease. Further provides that if the ad valorem tax credit exceeds the royalty obligation in any year, the excess ad valorem tax credit may

be offset from the royalty obligation in any future years, whether or not the royalty obligation is due to the deep oil or gas well, until fully offset, but that there shall be no other credit, refund, or recourse to lessee.

Defines "deep oil or gas well" as an oil or gas well permitted by the office of conservation after July 1, 2009, that is drilled to and produced from a true vertical depth of 15,000 feet or more on a producing unit which includes an applicable lease from the State Mineral Board. Defines "applicable lease" to mean that portion of a mineral lease granted by the State Mineral Board that is included within the production unit for a deep oil or gas well drilled and produced under the agreement.

Provides that the offset does not apply to royalties due to be paid to the extent such royalties must be remitted to the governing authority of the parish in which the severance of production occurs in accordance with Article VII, §4(E) of the La. Constitution of 1974. Preserves the right of taxpayer to pay ad valorem taxes under protest or to otherwise resist the collection of such ad valorem taxes.

Effective July 1, 2009.

(Adds R.S. 30:127.2)